TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 332 – HB 568

March 30, 2015

SUMMARY OF ORIGINAL BILL: Defines a non-profit corporation which exists solely to manage, maintain, and support government-owned property on behalf of a government entity as a government entity for the purpose of tort liability.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005075): Deletes and rewrites the bill in its entirety. Expands the definition of "governmental entity", for the purpose of the Tennessee Governmental Tort Liability Act, to include a nonprofit public benefit corporation or charitable entity, including any entity with tax exempt status under the Internal Revenue Code codified in 26 U.S.C. § 501 (c)(3), that is appointed by statute, ordinance, resolution, contract, or other governmental directive to develop, manage, and maintain property or provide services and activities at property owned by the appointing governmental agency on behalf of the appointing governmental agency.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Expenditures – Exceeds $100,000*

Assumptions for the bill as amended:

- Based on information provided by the TML Risk Pool, the expanded definition provided in this amended bill will greatly increase local government liability.
- The fiscal impact to local government is dependent upon several unknown factors such as the type of non-profits that will be considered governmental entities, the types of employees that any such entity generally employs, the total number of employees employed by all non-profit entities that will be considered a governmental entity, the nature of the work conducted by any non-profit entity, the total number of non-profit entities that will be considered a governmental entity under the amended bill, and the extent of premium rate changes for liability insurance relative to current premium rates.
- Given the extent of unknown factors, determining a precise impact to local government is difficult. However, and based on the information received from the TML Risk Pool, the mandatory and recurring increase in local expenditures is reasonably estimated to exceed $100,000 per year statewide. This estimate takes into account approximately

300 cities, 95 counties, and multiple school systems that could be exposed to differing levels of additional liability.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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